

February 29, 2012



Honorable Jud Gilbert
Chairman, Tax Policy Committee
Michigan House of Representatives
124 North Capitol Avenue
PO Box 30014
Lansing, MI 48909-7514

RE: MITA Supports SB 335 and SB 336

Mr. Chairman,

The Michigan Internet and Telecommunications Alliance wishes to voice its support for Senate Bills 335 and 336. These bills, respectively, seek to amend 1933 PA 167, by amending section 1a (MCL 205.51a), as amended by 2008 PA 438, and 1937 PA 94, by amending section 2b (MCL 205.92b), as amended by 2008 PA 439.

The purpose of these bills is to clarify that remote access to computer software via Internet-based Software (also known as "Software as a Service" or "SaaS") is not subject to Michigan's sales and use tax. SaaS customers access the provider's software online through a web browser. They do not purchase or download any software, nor do they control any of the hardware or software that provides the service. Instead, the SaaS provider retains full ownership and control, while serving customers via remote servers that can be accessed on the provider's website for the duration of the contract only. SaaS transactions, therefore, properly fall outside of the scope of Michigan sales and use taxes.

We applaud the efforts of the Legislature to provide certainty as to the proper tax treatment of SaaS transactions. SB 335 and 336 do not change the current law, but eliminate any potential ambiguity as to how the law may apply to services employing a new technology, to the benefit of Michigan consumers and businesses operating in our State.

As Michigan based telecom and ISP businesses we are acutely aware of the importance of establishing Michigan as a competitive state with pro-technology tax laws and regulations. SB 335 and SB 336 are a positive step in that direction. Thank you in advance for recognizing our support of SB 335 and SB 336.

Sincerely,

A handwritten signature in black ink that reads "John Liskey". The signature is fluid and cursive, with a long horizontal stroke extending from the end of the name.

John Liskey
Executive Director

Michigan Internet & Telecommunications Alliance
P.O. Box 3723, East Lansing, Michigan 48823